

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

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In the Matter of:

AN EXAMINATION BY THE PUBLIC SERVICE)	
COMMISSION OF THE APPLICATION OF THE)	
FUEL ADJUSTMENT CLAUSE OF KENTUCKY)	CASE NO. 9172
POWER COMPANY FROM NOVEMBER 1, 1982,)	
TO OCTOBER 31, 1984)	

O R D E R

Pursuant to 807 KAR 5:056, Sections 1(11) and 1(12), the Public Service Commission ("Commission") issued its Order on November 13, 1984, scheduling a hearing to review the operation of the fuel adjustment clause of Kentucky Power Company ("Kentucky Power") for the past 2 years and to determine the amount of fuel cost that should be transferred (rolled in) to the base rates in order to reestablish the fuel clause charge in accordance with 807 KAR 5:056, Section 1(2).

In response to the Commission's requests for information, Kentucky Power proposed to leave its base fuel cost of 17.40 mills per KWH unchanged. However, Kentucky Power selected August, 1984, to test the reasonableness of its present base fuel cost [F(b)] and KWH sales [S(b)] components of the fuel adjustment clause. Kentucky Power provided all requested information, and following proper notice, a hearing was held on April 4, 1985.

The sole intervenor in this case was the Consumer Protection Division of the Attorney General's Office ("AG"). The AG did not offer testimony, and on cross-examination did not challenge the level of actual fuel cost included in Kentucky Power's monthly fuel filings, or the proposed base fuel cost of 17.40 mills per KWH.

In establishing the appropriate level of base fuel cost to be included in Kentucky Power's rates, the Commission must determine whether the proposed base period fuel cost per KWH is representative of the level of fuel cost currently being experienced by Kentucky Power. The Commission's review of generation mix, unit outages and unit availability disclosed that August, 1984, was a reasonably representative generation month for Kentucky Power. The Commission's analysis of Kentucky Power's monthly fuel clause filings shows that the actual fuel cost incurred for the year ended October, 1984, ranged from a low of 15.67 mills per KWH in March, 1984, to a high of 18.25 mills per KWH in January, 1984. The Commission is of the opinion that Kentucky Power has complied with 807 KAR 5:056, and that the base period fuel cost of 17.40 mills per KWH should be approved.

The Commission, having considered the evidence of record and being advised, is of the opinion and finds that:

1. Kentucky Power has complied in all material respects with the provisions of 807 KAR 5:056.

2. The month of August, 1984, should be used as Kentucky Power's base period to test the reasonableness of its current base fuel cost.

3. Kentucky Power's proposed base period fuel cost of 17.40 mills per KWH should be approved.

4. The base fuel cost of 17.40 mills per KWH is the same base fuel cost currently included in Kentucky Power's base rates.

IT IS THEREFORE ORDERED that the charges collected by Kentucky Power through the fuel adjustment clause for the period November 1, 1982, through October 31, 1984, be and they hereby are approved.

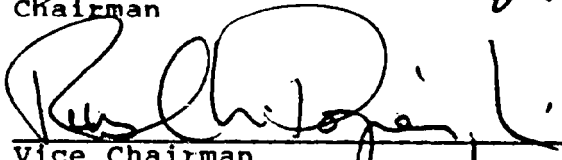
IT IS FURTHER ORDERED that Kentucky Power's proposed base period fuel cost of 17.40 mills per KWH be and it hereby is approved.

IT IS FURTHER ORDERED that the base rates included in Kentucky Power's tariffs currently on file with the Commission shall remain unchanged as a result of the Commission's Order in this case.

Done at Frankfort, Kentucky, this 13th day of May, 1985.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:

Secretary